

Message Text

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PAGE 01 OTTAWA 01361 01 OF 02 180457Z
ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 FCC-01 OTPE-00 PA-01 USIA-06
CIAE-00 INR-10 NSAE-00 BIB-01 /040 W
-----037221 180538Z /11
R 171753Z MAR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 6706
INFO AMCONSUL MONTREAL
ALL OTHER AMCONSULS IN CANADA POUCH

LIMITED OFFICIAL USE SECTION 01 OF 02 OTTAWA 01361

E.O. 11652:N/A
TAGS: ETEL, CA
SUBJECT: CRTC AGAIN VOTES AGAINST INTRODUCTION OF PAY
TELEVISION

REF: (A) OTTAWA A-60, MARCH 9, 1978; (B) OTTAWA A-53,
FEB. 7, 1977; (C) OTTAWA 2310, JUNE 7, 1976.

1. SUMMARY. FOR THE SECOND TIME IN THREE YEARS, THE
CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION
(CRTC) HAS RECOMMENDED AGAINST EARLY INTRODUCTION OF PAY-
TV; THIS TIME IN DIRECT OPPOSITION TO THE COMMUNICATIONS
MINISTER'S WISH TO GET ON WITH DEVELOPING A SYSTEM. THE
MINISTER SHARES CRTC'S VIEWS THAT PAY-TV MUST HAVE SIGNI-
FICANT CANADIAN CONTENT AND SHOULD BE NATIONAL RATHER THAN
PROVINCIAL BUT REJECTS THE IDEA THAT PAY-TV'S TIME HAS NOT
YET COME. TO AVOID A CONFRONTATION WITH THE PROVINCES
JUST BEFORE A FEDERAL ELECTION, IT IS EXPECTED MINISTER
SAUVE'S PROPOSALS TO THE CABINET ON HOW A SYSTEM SHOULD BE
ESTABLISHED WILL BE DEFERRED UNTIL AFTER THE EXPECTED
ELECTIONS. END SUMMARY.

2. AS DIRECTED BY FEDERAL COMMUNICATIONS MINISTER SAUVE,
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PAGE 02 OTTAWA 01361 01 OF 02 180457Z

THE CRTC REOPENED CONSIDERATION OF PAY-TV IN JUNE 1976;
SUBMISSIONS FROM THE PUBLIC AND INDUSTRY WERE ACCEPTED AND
A PUBLIC HEARING WAS HELD. THE CRTC'S RECOMMENDATION WAS
SENT TO THE MINISTER MARCH 14. IT RESTATED CRTC'S 1975
OPINION THAT NOW IS NOT THE TIME TO INTRODUCE PAY TELEVI-
SION IN CANADA AND CALLED FOR THE FORMULATION OF A NATIONAL
POLICY ON PAY-TV BEFORE FURTHER CONSIDERATION IS GIVEN TO

INTRODUCING THE SERVICE. THE RECOMMENDATION WAS GREETED WITH SATISFACTION BY THE TV BROADCASTERS WHO CONSIDER PAY-TV WILL FRAGMENT THEIR AUDIENCE. THE CABLE OPERATORS, WHO WOULD STAND TO BE THE MAJOR BENEFICIARIES OF PAY-TV, WERE DISAPPOINTED AND CAN BE EXPECTED TO CONTINUE PRESSING FOR THE INTRODUCTION OF THE SERVICE WHICH, ALONG WITH MINISTER SAUVE, THEY CONSIDER INEVITABLE.

3. ON THE DAY FOLLOWING ANNOUNCEMENT OF THE CRTC'S NEGATIVE RECOMMENDATION, MINISTER SAUVE WAS QUOTED BY THE PRESS AS SAYING SHE STILL INTENDED TO ESTABLISH A PAY-TV SYSTEM AND WOULD PUT HER PROPOSALS BEFORE THE FEDERAL CABINET IN THE NEAR FUTURE. SHE WAS ALSO QUOTED AS SAYING SHE ACCEPTED THE MAIN PRINCIPLES OF THE CRTC'S RECOMMENDATION, THAT IS THAT PAY-TV SHOULD ONLY BE INTRODUCED WHEN IT CAN BE PRE-DOMINANTLY CANADIAN IN CONTENT AND CONTROL. ONE OF THE MAJOR PROPOSALS REJECTED BY CRTC WAS SUBMITTED BY THE CABLE TV OPERATORS. IT WOULD HAVE ENSURED ONLY 15 PERCENT CANADIAN CONTENT FOR PAY-TV PROGRAMMING SINCE, IN THE CABLE OPERATORS' VIEW, A HIGHER CANADIAN CONTENT WOULD BE MORE THAN THE CANADIAN VIEWERS WOULD BE WILLING TO BEAR AND WOULD NOT SELL. THE CABLE COMPANIES WOULD HAVE RELIED PRIMARILY ON THE SALE OF NEW OR ALMOST NEW US-MADE FILMS.

4. CRTC'S GUIDELINES FOR AN ACCEPTABLE PAY-TV SYSTEM INCLUDED THE FOLLOWING MAJOR POINTS:
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PAGE 03 OTTAWA 01361 01 OF 02 180457Z

(A) THE PAY-TV NETWORK SHOULD BE A SINGLE NATIONAL AGENCY.

(B) A CANADIAN CONTENT RULE OF AT LEAST 50 PERCENT SHOULD BE IMPOSED.

(C) 35 PERCENT OF GROSS REVENUE SHOULD BE ALLOCATED TO CANADIAN PROGRAMMING (TO FOSTER CANADIAN PRODUCTION).

(D) THERE SHOULD BE REGULATIONS TO PREVENT SIPHONING OF PROGRAMS FROM REGULAR TV TO PAY-TV.

ALL OF THE ABOVE SHOULD BE WORKED INTO A NATIONAL POLICY ON PAY-TV BEFORE FURTHER STEPS ARE TAKEN TOWARD INTRODUCTION OF THE SERVICE.

5. COMMENT: THE CRTC SAID NO TO PAY-TV IN 1975 AND PROPOSED ANY DECISION ON INSTITUTING SUCH A SERVICE SHOULD BE DELAYED FIVE YEARS. ABOUT SIX MONTHS AFTER THAT DECISION, MINISTER SAUVE TOLD CRTC TO TAKE ANOTHER LOOK AT THE ISSUE SINCE SHE WANTED TO PROCEED WITH THE ESTABLISHMENT OF A NATIONAL SYSTEM. CRTC, AS MOST OBSERVERS EXPECTED, HAS

NOW SAID NO AGAIN AND OUTLINED IN DETAIL ITS RATIONALE, AT LEAST PART OF WHICH THE MINISTER SAYS SHE ACCEPTS. THE MINISTER NO DOUBT CONSIDERS THAT OTTAWA MUST SOON GET ON WITH SOME ACTION ON PAY-TV IF ITS OPTIONS IN THIS AREA ARE NOT TO BE FORECLOSED BY ACTIONS THE PROVINCES MAY TAKE TO SET UP SEPARATE PAY-TV SYSTEMS AS SASKATCHEWAN HAS ALREADY DONE. NONETHELESS, SINCE PROVINCIAL PAY-TV SYSTEMS IN MAJOR POPULATION AREAS (BRITISH COLUMBIA, ONTARIO, QUEBEC) DO NOT SEEM IMMINENT, KNOWLEDGEABLE OBSERVERS CONSIDER MINISTER SAUVE WILL DEFER PUSHING FIRM PROPOSALS NOW, AND,

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PAGE 01 OTTAWA 01361 02 OF 02 180458Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 OTTAWA 01361

AS CRTC SUGGESTED, STUDY THE ISSUE FOR SOME TIME. THE GOVERNMENT MAY THUS AVOID IN THE MONTHS LEADING UP TO A FEDERAL ELECTION UNNECESSARY POLITICAL CONFRONTATION WITH THE PROVINCES OVER AN ISSUE WHICH TO DATE HAS DEVELOPED LITTLE INTEREST OR ENTHUSIASM ON THE PART OF THE VOTERS (A SURVEY INDICATED ONLY 38 PERCENT OF THE POPULATION KNOWS WHAT PAY-TV IS). THE ISSUE WILL, NO DOUBT, BE EXPLORED IN SOME DETAIL AT THE MINISTER'S MEETING WITH PROVINCIAL COMMUNICATIONS MINISTERS AT CHARLOTTETOWN AT THE END OF THE MONTH IN THE CONTEXT OF FEDERAL/PROVINCIAL CONTROL OVER TV BUT NO DECISIONS ARE EXPECTED. WHATEVER SYSTEM IS EVENTUALLY ADOPTED MAY WELL BE LESS RESTRICTIVE TOWARD THE USE OF US PROGRAM MATERIALS THAN PRESENT CRTC RULES APPLICABLE TO BROADCASTING. THOSE RULES REQUIRE 60 PERCENT CANADIAN CONTENT IN PRIME TIME BUT CRTC, TAKING INTO ACCOUNT THE TYPE OF PROGRAMMING CANADIANS WOULD BE WILLING TO PAY FOR, SUGGESTED THERE BE 50 PERCENT CANADIAN CONTENT IN AN EVENTUAL PAY-TV SYSTEM. ENDERS

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